

# **Consensus Revenue Agreement**

## **Executive Summary**

**May 15, 2009**

### **Economic and Revenue Forecasts**

### **Fiscal Years 2009 and 2010**



#### **Principals**

**Gary Olson, Director**  
**Senate Fiscal Agency**

**Mitch Bean, Director**  
**House Fiscal Agency**

**Robert J. Kleine, State Treasurer**  
**Michigan Department of Treasury**

#### **Staff**

**Jay Wortley**  
**Senate Fiscal Agency**

**Rebecca Ross**  
**House Fiscal Agency**

**Jeff Guilfoyle**  
**Michigan Department of Treasury**

**Table 1**  
**Consensus Economic Forecast**  
May 2009

	Calendar 2007 Actual	Calendar 2008 Actual	Percent Change from Prior Year	Calendar 2009 Forecast	Percent Change from Prior Year	Calendar 2010 Forecast	Percent Change from Prior Year
<b>United States</b>							
Real Gross Domestic Product (Billions of Chained 2000 Dollars)	\$11,524	\$11,652	1.1%	\$11,221	-3.7%	\$11,311	0.8%
Implicit Price Deflator GDP (2000 = 100)	119.8	122.4	2.2%	124.6	1.8%	126.0	1.1%
Consumer Price Index (1982-84 = 100)	207.3	215.3	3.8%	214.4	-0.4%	219.5	2.4%
Consumer Price Index - Fiscal Year (1982-84 = 100)	205.3	214.5	4.5%	214.1	-0.2%	218.8	2.2%
Personal Consumption Deflator (2000 = 100)	117.7	121.6	3.3%	121.8	0.2%	124.2	2.0%
3-month Treasury Bills Interest Rate (percent)	4.4	1.4		0.3		0.4	
Aaa Corporate Bonds Interest Rate (percent)	5.6	5.6		5.2		4.7	
Unemployment Rate - Civilian (percent)	4.6	5.8		9.2		10.4	
Light Vehicle Sales (millions of units)	16.1	13.1	-18.6%	9.6	-26.7%	11.1	15.6%
Passenger Car Sales (millions of units)	7.6	6.7	-11.8%	4.9	-26.9%	5.8	18.4%
Light Truck Sales (millions of units)	8.5	6.4	-24.7%	4.7	-26.6%	5.3	12.8%
Import Share of Light Vehicles (percent)	23.3	25.4		32.0		30.0	
<b>Michigan</b>							
Wage and Salary Employment (thousands)	4,268	4,159	-2.6%	3,814	-8.3%	3,639	-4.6%
Unemployment Rate (percent)	7.1	8.4		14.0		15.3	
Personal Income (millions of dollars)	\$345,940	\$353,113	2.1%	\$339,342	-3.9%	\$329,840	-2.8%
Real Personal Income (millions of 1982-84 dollars)	\$172,859	\$172,462	-0.2%	\$166,753	-3.3%	\$159,036	-4.6%
Wages and Salaries (millions of dollars)	\$188,116	\$187,914	-0.1%	\$174,760	-7.0%	\$169,168	-3.2%
Detroit Consumer Price Index (1982-84 = 100)	200.1	204.7	2.3%	203.5	-0.6%	207.4	1.9%
Detroit CPI Fiscal Year (1982-84 = 100)	199.0	204.6	2.8%	202.6	-1.0%	206.2	1.8%

Table 2  
**May 2009 Consensus Forecast**  
(millions)

**Net Revenue Estimates**

	FY 2008	FY 2009		Change From January	FY 2010		Change From January
	Actual	Jan 2009 Consensus	May 2009 Consensus		Jan 2009 Consensus	May 2009 Consensus	
<b>Net GF-GP Revenue</b>	\$9,358.7	\$8,306.1	\$7,435.3	(\$870.8)	\$7,934.5	\$6,949.7	(\$984.8)
Growth	12.5%	-11.2%	-20.6%		-4.5%	-6.5%	
<b>Net SAF Revenue</b>	\$11,512.9	\$11,368.7	\$10,943.7	(\$425.0)	\$11,295.8	\$10,563.0	(\$732.8)
Growth	3.2%	-1.3%	-4.9%		-0.6%	-3.5%	
<b>Combined GF-GP/SAF</b>	\$20,871.6	\$19,674.8	\$18,378.9	(\$1,295.9)	\$19,230.3	\$17,512.7	(\$1,717.6)
Growth	7.2%	-5.7%	-11.9%		-2.3%	-4.7%	

**Revenue Limit Calculation**

	Actual FY 2008	FY 2009	FY 2010
Personal Income	\$341,075	\$345,885	\$353,113
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$32,368.0	\$32,824.5	\$33,510.4
Revenue Subject to Limit	\$27,716.3	\$25,295.2	\$24,497.7
<b>Amount Under (Over) Limit</b>	<b>\$4,651.7</b>	<b>\$7,529.3</b>	<b>\$9,012.7</b>

Note: CY 2006 Personal Income is used for the FY 2008 revenue limit calculation, CY 2007 for FY 2009, and CY 2008 for FY 2010.

**Budget Stabilization Fund Calculation**

FY 2009 Calculated Withdrawal	<b>(\$557.6)</b>
FY 2010 Calculated Withdrawal	<b>(\$375.3)</b>

**School Aid Index**

	FY 2010
Revenue Adjustment Factor	<b>0.9452</b>
Pupil Membership Factor	<b>1.0171</b>
School Aid Index	<b>0.9614</b>